

[REDACTED]

[REDACTED]

[REDACTED]

JUL 13 1981

Gentlemen:

Your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code has been considered.

The information submitted discloses that you incorporated [REDACTED] under the [REDACTED] Non-Profit Corporation Act to promote the orderly and efficient development of increased real estate sales for your members and to implement plans and policies thereof.

Your application states that you were organized to promote the business interests of Realty World franchisees, and that your activities include advertising, recruiting and sales rallies, promotions, and training.

You have only one class of membership which is comprised of individuals who are broker/owners of [REDACTED] franchisees in your geographical area. All owners are required to be members.

Funds for the support of your activities are derived solely from members' dues, assessments, and contributions. Funds are expended for advertising, meeting expenses, legal and professional fees, and supplies.

Section 501(a) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, or boards of trade, ~~and~~ not organized for profit and no part of the net earnings of which inure to the benefit of any private shareholder or individual."

INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. Not, an organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league. \*\*\* "

Revenue Ruling 67-77, Cumulative Bulletin 1967-1, page 138, held that an organization composed of dealers in a certain make of automobile in a designated area that is organized and operated for the primary purpose of financing general advertising campaigns to promote, with its contributed by dealer members, the sale of that make of automobile, is not entitled to exemption under 501(c)(6), since it is performing a particular service for its members.

Revenue Ruling 68-188, Cumulative Bulletin 1968-1, page 263, states that it is the position of the service that organizations promoting a single brand or product within a line of business does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 70-60, Cumulative Bulletin 1970-1, page 130, held that a nonprofit trade association of manufacturers whose principal activity is the promotion of its members' products under the association's registered trademark does not qualify for exemption under section 501(c)(6) of the Code.

Revenue Ruling 73-411, Cumulative Bulletin 1973-2, page 180, held that a shopping center merchants association whose membership is restricted to and required of the tenants of a one-owner shopping center and their common lender, and whose activities are directed to promoting the general business of its members, does not qualify for exemption under section 501(c)(6) of the Code.

Your activities are not directed at improvement of business conditions of one or more lines of business or business conditions of any community as a whole, within the meaning of section 501(c)(6), but serve instead the individual business interests of the broker/owners who are franchisees of [REDACTED] and, therefore, fall outside the scope of the exemption accorded by section 501(c)(6) of the Code.


Accordingly, we conclude that you do not qualify for exemption from Federal income tax under the provisions of section 501(c)(6) of the Code, and are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

  
District Director

Enclosures:  
Publication 892  
Form 6018